

# EXHIBIT 1

1 STATE OF TEXAS  
2 HOUSE OF REPRESENTATIVES  
3  
4 STATE AFFAIRS COMMITTEE  
5 PUBLIC HEARING  
6 Tuesday, March 16, 2021  
7 8:00 a.m.

8  
9  
10  
11 AUDIO TRANSCRIPTION  
12 Portion 1 Audio Runtime: 1:51  
13 Portion 2 Audio Runtime: 2:50

14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24 Transcriber: Annette M. Montalvo, RDR, CRR  
25

<p>1 throughout that week was, people would miss an 2 outage for one day, and then they'd extend it, 3 and then they'd extend it. Was that gas supply? 4 Was that mechanical issues? It varied. But we 5 were not very sure and felt like there was an 6 extreme amount of risk about the uncertainty on 7 the supply side of the system. And it would not 8 take the loss of much supply to plunge us back 9 into outages.</p> <p>10 And so we thought what can we do that's 11 going to keep as much of that generation on as 12 possible. And we considered Reliability Unit 13 Commitment. We considered that option. The 14 challenge we saw there is the RUC process is a 15 unit by unit decision, it takes more time, and 16 you may pick the wrong unit to RUC on and find 17 out you have a problem later on down the line. 18 So we were looking for a way to send the most 19 clear signal we possibly could to people to stay 20 on line, at maximum, as they had the days before.</p> <p>21 And where this had an impact, and why 22 we did it through Friday morning was, we saw load 23 shed Thursday morning and Friday morning. And we 24 heard from some gas plants, hey, as soon as you 25 get out of emergency conditions, you let me know</p>	<p>Page 126</p> <p>1 because I'm out. The gas price is too high. I 2 don't want to buy gas for Friday if I don't have 3 to run Friday. So we were hearing from people 4 that they needed some understanding of what we 5 saw in the system in order to know how to manage 6 their generation.</p> <p>7 And so we thought we've got to put 8 something in place that's going to get us through 9 that Friday morning peak because everything was 10 showing once we got through that peak Friday 11 morning, the storm was going to be moving out, we 12 hoped, that we would see the generation continue 13 to stabilize as the weather improved, and we'd be 14 in the clear. So that was on the supply side.</p> <p>15 Now on the load side, okay, our load 16 forecast is already showing based on what our 17 computer models have told us to expect, we're 18 going to be in outages, and we think, what can we 19 do about that.</p> <p>20 Well, we wanted the residential load to 21 come back. We wanted to keep it at zero load 22 shed. What we did not know is how much 23 industrial load had come off. As Ms. Bivens 24 said, often the industrial load isn't part of a 25 utility's load shed program, but we know from at</p> <p>Page 127</p>
<p>1 least what we had heard from the industrial users 2 themselves or from other sources, the Commission, 3 we talked a lot to the Commission about this, 4 that a fair amount of industrial load shed had 5 happened voluntarily, some not voluntarily, some 6 of it ended up being part of load shed plans like 7 here in Austin, but voluntarily by a lot of 8 people because they said, I'm not going to pay 9 \$9,000 a megawatt hour because it's not worth it 10 to make what I make, so I'm going to stay off. 11 I'm going to sit on the sidelines until this is 12 over.</p> <p>13 And when the Commission set up this 14 whole market structure, where the prices can go 15 up to \$9,000, it had two purposes. We talk a 16 whole lot about how generators get a very big 17 incentive to build, and a very big incentive to 18 come to Texas, because when we have these 19 scarcity times, when they're needed the most, we 20 pay them that value of loss load, we call it, 21 right. We pay them that highest price or 22 sometimes somewhere near it.</p> <p>23 But the flip side of that is, and it's 24 the same part of the market design is, if you're 25 in a scarcity condition, if you're tight, you not</p> <p>Page 128</p>	<p>1 only need generation to be up, you'd rather have 2 load go down. That's what keeps you in balance.</p> <p>3 So part of the market structure is that 4 high price for those sophisticated users who use 5 a lot of electricity, they get an incentive to 6 stay off the system and back up so we don't have 7 as much load out there.</p> <p>8 So we needed to, we believed, and we 9 were discussing this with the chair of the 10 Commission then, and Chairman Walker, throughout 11 the evening, we needed to send the strongest 12 signal as we could to the demand side and the 13 supply side, that we could not go back into 14 outages, and we were going to take every measure 15 we possibly could to prevent what we saw coming 16 Thursday morning and Friday morning.</p> <p>17 So the step we took is, as you've heard 18 a lot about, we talked to the Commission about, 19 you issued an order on Monday, that's more or 20 less pegged the prices during load shed at 21 \$9,000. And, you know, let me say, when we talk 22 about the workings of the market, I think the 23 Commission issued an order every day that week 24 that adjusted the workings of the market through 25 administrative means because we were in an</p> <p>Page 129</p>